

September 8, 1976

REBUTTAL OF CARTER ALLEGATIONS ON ARAB BOYCOTT

#1 (the two marked paragraphs on discrimination and boycott issues)

--Not only have we not condoned efforts that companies observe "certain restrictions based on race or religion" but this Administration has taken steps effectively putting an end to all such discrimination, beginning with the series of initiatives I announced last November after the Cabinet-level study I initiated in February 1975. Regulations have been put into effect to prohibit any possible foreign-inspired discrimination on the basis of race, color, religion, sex or national origin. These regulations are enforced fully throughout the government.

--The allegation concerning the statement to Congress by Assistant Secretary of the Treasury Parsky is in error. He stated that the Administration had taken effective actions to put an end to discrimination based on sex, religion, race or national origin and listed these actions. He also stated the opposition of the Administration to the boycott of Israel, pointing out that this is a political act stemming from the Arab-Israeli conflict rather than an issue of discrimination or human rights. He pointed out the specific steps the Administration is taking to give effect to its policy of opposition to the boycott, and also explained our view that Congress should avoid taking legislative action which cannot be effectively made good and may be counterproductive--as we have seen with respect to another situation of great concern to me and to this organization.

#2 (Commerce--and attack on it)

--Concerning the report of the House Sub-committee, to which Mr. Carter referred--Secretary of Commerce Richardson has issued a statement pointing out that the report relates principally to conditions which existed during the eleven years prior to the actions which I took in November of 1975, conditions which no longer exist within the Department of Commerce. The allegation that laws concerning boycotts are not being vigorously enforced is therefore completely untrue.

Still, in recent years, we have had reason to be troubled. Often there has been a gap between the values we have proclaimed and the policies we have followed. We have often been overextended, and deeply entangled in the internal affairs of distant nations. Our government has pursued dubious tactics, and "national security" has sometimes been a cover-up for unnecessary secrecy and national scandal.

We stumbled into the quagmires of Cambodia and Vietnam, and carried out half-hearted efforts to destroy an elected government in Chile. In Cyprus, we let expediency triumph over fairness, and lost both ways.

We responded inadequately to human suffering in Bangladesh, Burundi, the Philippines, and other underdeveloped nations.

We lessened the prestige of our foreign service by sending abroad ambassadors who were distinguished only by the size of their political contributions.

We have allowed virtually unlimited sales of U.S. arms to countries around the world -- a policy as cynical as it is dangerous.

I find it unacceptable that we have in effect condoned the effort of some countries to tell American businesses that in order to trade with one country or company, they must observe certain restrictions based on race or religion. These so-called "Arab boycotts" violate our standards of freedom and equality.

I regret that a senior official of the Ford Administration, and Assistant Secretary of the Treasury, last week told Congress that efforts should not be made to address this basic issue of human rights.

Moreover, according to a recent House subcommittee report, the Department of Commerce has shut its eyes to the boycott by failing to collect information on alleged offenses, and failing to carry out a firm policy against the boycott.

If I become President, all laws concerning these boycotts will be vigorously enforced.

We also regret our government's continuing failure to oppose the denial of human freedom in Eastern Europe and the Soviet Union.

The Republican Administration, with the Sonnenfeldt statement, has shown a lack of sensitivity to the craving of the Eastern European people for greater independence. That is unacceptable.

Only 13 months ago, President Ford and Henry Kissinger travelled to Helsinki to sign the treaty of comprehensive security and cooperation in Europe. It was supposed to lead to greater personal freedom for the peoples of Eastern Europe and the Soviet Union, including greater freedom to travel, to marry, and to migrate. But since that elaborate signing ceremony in Finland, the Russians have all but ignored their pledge -- and the Ford Administration has looked the other way.

# UNITED STATES DEPARTMENT OF COMMERCE NEWS

WASHINGTON, D.C. 20230

*transmitted on  
Congressional*  
OFFICE *Report*  
OF THE  
SECRETARY

Sept. 7

STATEMENT BY SECRETARY OF COMMERCE ELLIOT RICHARDSON IN RESPONSE TO A REPORT BY THE OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE OF THE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE ON THE ARAB BOYCOTT, SEPTEMBER 7, 1976

I have reviewed a summary of the report on the Arab Boycott and American Business that was released today by the Oversight and Investigations Subcommittee of the House Committee on Interstate and Foreign Commerce. The report relates principally to conditions that have existed during the past 11 years, since enactment of boycott provisions in the 1965 amendments to the Export Control Act. Accordingly, its primary focus is on past conditions that no longer exist within the Department, and the report is therefore largely of historical interest. In fact, the Department actively cooperated with the Subcommittee in assembling the data on which the report is based.

Present Departmental policy is to support and implement existing law relating to the Arab Boycott fully and vigorously, and actions the Department has taken during the last year clearly reflect this policy. Specifically, the following steps have been taken:

1. On October 1, 1975, the reporting requirements were amended to require reporting firms to indicate whether or not they had complied, or intended to comply, with the reported boycott-related requests.
2. On December 1, 1975, Department regulations were amended to prohibit compliance with any boycott request which would discriminate against U.S. citizens and firms on the basis of race, color, religion, sex or national origin.
3. On December 1, 1975, Department regulations were amended to extend the reporting requirements to any person or firm other than the exporter handling any phase of the export transaction (such as banks, insurers, shipping companies, and freight forwarders).
4. On December 1, 1975, the Department ceased dissemination of information on trade opportunities containing boycott requests.
5. On April 29, 1976, I directed that all charging letters alleging violations of the Export Administration regulations relating to the boycott be made public.

6. On several occasions, I and members of my immediate staff have met with representatives of the Anti-defamation League of B'nai B'rith, the American Jewish Committee, and the American Jewish Congress to discuss Departmental policy and enforcement of boycott regulations.
7. On a continuing basis, the Department has referred and continues to refer reports of boycott requests that call for discriminatory action against U.S. citizens and firms or that call for action in violation of U.S. antitrust laws to the Department of State and Justice for appropriate action.

Thus, the policy of the Department has been and continues to be to enforce boycott requirements vigorously and to extend jurisdiction with respect to reporting requirements as far as is reasonable and practicable and to encourage reporting even where jurisdiction is not clear.

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THE WHITE HOUSE

WASHINGTON

September 8, 1976

*Peter - boycott/discrimination  
Proposed remarks  
for speech to BB*

MEMORANDUM FOR:


ED SCHMULTS

FROM:

BOBBIE GREENE KILBERG

*Bobbie*

I understand from Cathy DeSibour of the NSC that Jack Marsh has asked Bill Hyland, David Lissy and you to work on a paragraph on the Arab boycott to be inserted into the President's speech before B'nai B'rith. Lissy had prepared a section on the boycott yesterday and had given it to Milt Friedman. You will find it on pages 7A - 7C of the "Lissy Draft" which is attached. When I saw the draft, I told Milt that the paragraph on page 7C referring to the Stevenson Amendment had to come out.

Attached also is a draft which Bob Oakley and Cathy DeSibour prepared for Bill Hyland to send to Bob Orben. Their wording is stronger than Lissy's language and I prefer their version, with the changes I have written in. 

cc: Bob Oakley ✓  
Milt Friedman  
David Lissy

WASHINGTON

September 8, 1976

MEMORANDUM FOR

BOB ORBEN

FROM:

BILL HYLAND

SUBJECT:

Section on Arab Boycott for  
Bnai Brith Speech

In response to the request from Mr. Marsh (at back), attached is a suggested section on the Arab boycott for inclusion in the President's speech to B'nai B'rith. We would appreciate review of the final draft speech before it is sent to the President.

cc: Bobbie Greene Kilberg

*10 am  
awaiting  
signature*

Economic Boycott and Discrimination

I am proud to say that I have taken the strongest position ever taken by a President against foreign economic practices that discriminate against American citizens. [In February 1975 I called for a Cabinet-level study of the problems of the Arab boycott and discrimination against American citizens. Last November I set forth a detailed program of administrative actions to address these problems.] <sup>As a result of this study</sup> ~~The regulations I proposed~~ <sup>now in force</sup> prohibit any possible discrimination based on race, color, religion, sex or national origin in export transactions. Similarly, our opposition to the boycott of Israel has been made forcefully clear to foreign governments and to the US business community. Appropriate agencies of the Executive Branch have taken a number of measures which reflect this policy.

My campaign has had an effect. [The initiatives I have taken, together with quiet diplomacy and the efforts of individual firms, have shown success over the past year, producing on the part of several Arab governments, banks and other institutions an easing of boycott practices and an effective end to discrimination. I sincerely believe] further progress is possible <sup>through the continued use of diplomatic</sup> ~~At the same time, we wish to~~ <sup>initiate rather than further legislative efforts which run the</sup> ~~avoid another situation in which attempts to legislate our objectives~~ <sup>danger of being</sup> ~~Beyond where our law can effectively reach -- prove counter-productive.~~

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My intention is to achieve results. Hence, my actions have been designed to achieve realistic objectives [and to avoid counter-productive reaction that could nullify the gains we seek and the progress already made. ]



THE WHITE HOUSE

WASHINGTON

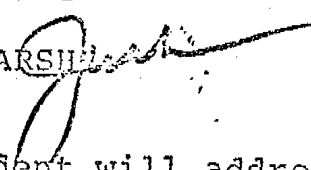
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September 7, 1976

MEMORANDUM FOR:

✓ BILL HYLAND  
ED SCHMULTS  
DAVE LISSY

FROM:

JACK MARSHALL 

On Thursday evening, the President will address B'nai B'rith.

It may be that there will have to be some reference to the pending Arab boycott legislation both in the tax and export bills. On the contingency this will have to be addressed, will you write a paragraph which you feel would be appropriate for inclusion in the President's remarks. It would be best if this were not lengthy but rather two or three succinct sentences which set forth a balanced Administration position.

It would be helpful if you could get this paragraph to Bob Orben by 10:00 a. m. tomorrow, Wednesday, September 8. ~~ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED~~

Many thanks.

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*comments*

Let me turn now to another important concern.

B'nai B'rith has fought, through all its existence, against discrimination. This is the American tradition at its best. I am determined that the United States Government, in my Administration as in George Washington's Administration, will give "to bigotry no sanction." Therefore, I have taken what I believe is the strongest position ever taken by a President against foreign economic practices that discriminate against American citizens on the basis of their race, color, religion, national origin or sex.

In February 1975 I declared that "such discrimination is totally contrary to the American tradition and repugnant to American principles. It has no place in the free practice of commerce as it has flourished in this country and in the world in the last 30 years."

Last November I announced a detailed program of administrative actions to address these concerns. The Export Administration Act

regulations have been revised to prohibit all such discrimination against persons based on race, color, religion, sex, or national origin in export transactions. Pursuant to my directive, individual agencies have acted to assure that anti-discrimination policies and regulations are effectively and fully implemented by each agency. In fact we found these concerns to be highly exaggerated but I believed it was necessary to rule out any possibility of discriminatory action. There has been only a handful of discriminatory requests, mainly involving private practices, out of more than 50,000 boycott requests to U.S. firms reported to the Department of Commerce from 1970 through November 1975. More importantly, when we have brought instances of such discrimination to the attention of governments involved, corrective action has been taken in virtually every instance.

My policy with respect to international boycotts is also clear and unequivocal. We strongly oppose the boycott of friendly countries, including the boycott of Israel. We have made this position clear to foreign governments and to the U.S. business community. We are the only country (other than

Israel) to take a strong position in opposing the boycott of Israel. Reflecting this policy, a number of measures have been taken.

Specifically, we have ended trade promotion activities which might have been viewed as condoning boycott practices; we have widely publicized our opposition to the boycott of Israel and requested and encouraged U. S. firms to refuse to act in furtherance of it; we have expanded reporting requirements under the Export Administration Act to include service organizations as well as goods exporters and to require reporting of responses to boycott requests of foreign governments; we have pointed out that refusal-to-deal agreements implemented by U. S. firms on U. S. commerce pursuant to foreign boycotts raise serious antitrust questions; the Justice Department has initiated a suit on this basis under the authority of the Sherman Antitrust Act and is continuing investigations in this area.

This campaign has had an effect. My concerted initiatives and quiet diplomacy as well as the efforts of individual firms have shown success over the past year, enabling ~~several major firms to be removed from the~~

~~boycott list~~ and producing on the part of several Arab governments, banks and other institutions an easing of boycott practices. We sincerely believe further progress is possible, though we must understand the larger political context of which the boycott is a part.

One of my concerns, as you can imagine, is to avoid another situation in which attempts to legislate our objectives -- beyond where our law can effectively reach -- prove counterproductive. My intention is to achieve results. Hence, my actions have been designed to achieve realistic objectives and to avoid counterproductive reaction that would nullify the gains we have sought. Cutting off economic ties with Arab countries serves no objective; developing these ties carefully and consistently with our principles can serve many purposes, including the wearing down of discriminatory barriers and, most importantly, the cause of moderation and peace in the Middle East. This is my hope.

P-015

(TAXES)  
(BY DON PHILLIPS)

*Scowcroft, Hyland, LL*

WASHINGTON (UPI) -- A HOUSE-SENATE CONFERENCE COMMITTEE HAS SERVED NOTICE IT WILL VOTE TO IMPOSE TAX SANCTIONS ON COMPANIES THAT COOPERATE WITH THE ARAB BOYCOTT OF ISRAEL, DESPITE STRONG OPPOSITION FROM THE FORD ADMINISTRATION.

THE BOYCOTT ISSUE WAS ONLY ONE OF HUNDREDS OF ISSUES IN THE HUGE TAX REVISION BILL, INCLUDING AN EXTENSION OF TAX CUTS. THE COMMITTEE IS WORKING TO COMPLETE THE BILL -- A COMPROMISE BETWEEN HOUSE AND SENATE VERSIONS OF THE BILL -- BY TOMORROW.

THE COMMITTEE STAFF WAS ORDERED TO DRAFT AN AMENDMENT DENYING SOME FOREIGN TAX BENEFITS TO COMPANIES THAT COOPERATE IN INTERNATIONAL BOYCOTTS AFTER THE WHITE HOUSE REFUSED TO OFFER COMPROMISE LANGUAGE OF ITS OWN, SAYING THE INTERNAL REVENUE CODE WAS NO PLACE TO CONDUCT FOREIGN POLICY.

"USE OF THE TAX CODE HERE WOULD NOT AFFECT THE BOYCOTT AND WOULD HARM OUR INTERNATIONAL INTERESTS," ASSISTANT TREASURY SECRETARY GERALD PARSKY TOLD THE COMMITTEE.

SEN. ABRAHAM RIBICOFF, D-CONN., ACCUSED PARSKY OF ACTING "AS A FLACK FOR THE ARABS ON THIS ISSUE", AND SAID CONGRESS WOULD PASS ANTI-BOYCOTT LEGISLATION DESPITE THE ADMINISTRATION. PARSKY REPLIED, "IT IS RATHER SHOCKING TO HEAR YOU TALK THAT WAY."

SEN. RUSSELL LONG, D-LA., CHAIRMAN OF THE CONFERENCE, CUT THE EXCHANGE SHORT, AND TOLD PARSKY, "WE'RE GOING TO PASS AN ANTI-BOYCOTT AMENDMENT."

LONG TOLD THE STAFF TO CAREFULLY DRAFT AN AMENDMENT LIMITING THE TAX SANCTIONS TO SECONDARY AND THIRD-LEVEL BOYCOTTS ONLY, ALSO LIMITING THE EFFECT OF THE SANCTIONS TO THE BUSINESS ACTUALLY CONNECTED WITH THE BOYCOTT. THE SANCTIONS INVOLVE LOSS OF THE FOREIGN TAX CREDIT, FOREIGN TAX DEFERRAL AND BENEFITS UNDER DOMESTIC INTERNATIONAL SALES CORPORATIONS.

THE SENATE LATE LAST NIGHT PASSED A 15-DAY EXTENSION OF THE FREEZE ON INCOME TAX WITHHOLDING RATES, IMPOSED TO GIVE THE CONFERENCE COMMITTEE TIME TO AGREE ON PERMANENT TAX CUT LEGISLATION. BUT THERE WAS NOT TIME ENOUGH FOR THE HOUSE TO ACT PRIOR TO THE MIDNIGHT EXPIRATION.

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